

Message Text

UNCLASSIFIED

PAGE 01 STATE 169116

21

ORIGIN EB-07

INFO OCT-01 EA-10 ISO-00 JUSE-00 L-03 SP-02 AID-05 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00

XMB-04 FTC-01 CIAE-00 INR-07 NSAE-00 (ISO) R

DRAFTED BY EB/CSB/BP:WBLOCKWOOD:VJW

APPROVED BY EB/CSB/BP:HJWINTER

EA/K - PMAYHEW

JUSTICE - DROSENTHAL/SKILDRIFF

L/EB - TTALLERICO

----- 111044

R 172317Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

UNCLAS STATE 169116

E.O. 11652: N/A

TAGS: ETRD, KS, US

SUBJECT: ANTITRUST: KOREAN HAIR GOODS ASSOCIATION OF
AMERICA (KWA)

REF: STATE 140655, JUNE 28, 1974

1. SINCE EARLY 1974 THE DEPT OF JUSTICE HAS CONDUCTED A GRAND JURY INVESTIGATION INTO POSSIBLE VIOLATIONS OF ARTICLE I OF THE SHERMAN ACT INVOLVING ALLEGED CONCERTED REFUSALS TO DEAL BY CERTAIN PERSONS ENGAGED IN U.S. INTER-STATE AND FOREIGN COMMERCE IN HAIR GOODS. INVOLVED IN THE INVESTIGATION WERE THE KOREAN HAIR GOODS ASSOCIATION OF AMERICA (KWA), A GROUP OF IMPORTERS AND WHOLESALERS IN THE U.S. WHO ARE PRIMARILY KOREAN NATIONALS, AND THE KOREAN HAIR GOODS EXPORT ASSOCIATION (KEA), A GROUP OF MANUFACTURERS LOCATED IN KOREA. THE EMBASSY WAS HELPFUL IN PROVIDING INFO ON THIS CASE LAST YEAR (SEE REFTEL AND UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 169116

PREVIOUS).

2. ON JUNE 24 A FEDERAL GRAND JURY IN NEW YORK FILED A CRIMINAL INDICTMENT CHARGING THE KWA WITH VIOLATION OF THE SHERMAN ACT, AND A COMPANION CIVIL COMPLAINT SEEKING THAT ALLEGED ANTI-COMPETITIVE ACTIVITIES BE ENJOINED. NAMED AS UNINDICTED CO-CONSPIRATORS WERE MEMBERS OF KWA

AND THE KEA AND ITS MEMBERS. THUS, THE ONLY INDICTED PARTY IS THE AMERICAN ASSOCIATION. THE INDICTMENT AND CIVIL COMPLAINT CHARGE THAT MEMBERS OF THE KWA CONSPIRED TO REGULATE WHOLESALE PRICES AND CONDITIONS OF RESALE OF IMPORTED WIGS, AND CONSPIRACY TO PREVENT CERTAIN WIG IMPORTERS AND DISTRIBUTORS FROM OBTAINING WIGS FOR RESALE. AS A RESULT IT IS ALLEGED THAT DOMESTIC AND INTERNATIONAL PRICES OF WIGS HAVE BEEN FIXED AT ARTIFICIAL AND NON-COMPETITIVE LEVELS, THAT IMPORTERS AND DISTRIBUTORS HAVE BEEN EXCLUDED FROM THE INDUSTRY AND THAT COMPETITION HAS BEEN RESTRAINED. COPIES OF PRESS RELEASE, INDICTMENT AND COMPLAINT ARE BEING POUCED TO THE EMBASSY.

3. KOREANS EVIDENTLY ATTACH CONSIDERABLE SIGNIFICANCE TO THIS CASE. ON JULY 14 KOREAN EMBASSY ECONOMIC MINISTER YANG AND COUNSELOR OF EMBASSY CHANG CALLED ON ASSISTANT ATTORNEY GENERAL KAUPER TO SEEK THE LATTER'S ADVICE ON HOW BEST TO RESOLVE THE MATTER QUICKLY AND FAVORABLY. YANG SAID HIS BASIC INTEREST WAS TWOFOLD: TO LOOK AFTER THE INTERESTS OF KOREAN NATIONALS (IN THIS CASE SMALL AND FINANCIALLY WEAK BUSINESSMEN, HE SAID), AND TO PROMOTE KOREAN EXPORTS. KWA, WITH POSSIBLE EMBASSY ASSISTANCE, HIRED PRESTIGIOUS COUNSEL IN ROGERS AND WELLS (FORMER SECRETARY'S FIRM IN NEW YORK). KAUPER WARNED THAT HE DID NOT WISH TO PREJUDGE OUTCOME OR INFLUENCE DEFENDANTS (KWA) IN ANY WAY, BUT SUGGESTED THAT SPEEDY SETTLEMENT MIGHT BE ACHIEVED VIA CONSENT DECREE TO ENJOIN ANTI-COMPETITIVE ACTIVITY, AND GUILTY OR NO LO CONTENDERE PLEA ON CRIMINAL INDICTMENT TO AVOID TRIAL.

4. EMBASSY MAY, AT ITS DISCRETION, INFORM APPROPRIATE ROKG AUTHORITIES OF THESE DEVELOPMENTS AS MATTER OF COURTESY, AND TO SEEK OUT ANY REACTIONS. IN SO DOING, UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 169116

IT WOULD BE USEFUL TO POINT OUT THAT MAIN OBJECTIVE OF THIS CASE IS DISCONTINUANCE OF ANTI-COMPETITIVE ACTIVITIES. TO THE EXTENT, IF ANY, THAT ROKG IS INVOLVED IN OR INFLUENCES THE CONDUCT OF THE KEA, ITS ASSISTANCE IN THE ELIMINATION OR PREVENTION OF CONSPIRACIES OF THE TYPES MENTIONED IN THIS CASE WOULD BE CONSTRUCTIVE. ALTHOUGH KEA IS NOT RPT NOT A DEFENDANT IN THIS CASE, ITS PRICING AND MARKETING PRACTICES ARE INVOLVED. THESE

POINTS WERE MADE DURING KAUPER MEETING WITH YANG. KISSINGER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, TRADE LAW, HUMAN HAIR, TRADE CONTROLS, INVESTIGATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE169116
Document Source: CORE
Document Unique ID: 00
Drafter: WBLOCKWOOD:VJW
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750248-0895
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750745/aaaabolt.tel
Line Count: 116
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 140655
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 05 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 MAR 2003 by ThomasVJ>; APPROVED <22 MAR 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ANTITRUST: KOREAN HAIR GOODS ASSOCIATION OF AMERICA (KWA)
TAGS: ETRD, KS, US
To: SEOUL
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006